

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)

)
Amendment of the Commission's)
Rules and Policies to Increase)
Subscribership and Usage of the)
Public Switched Network)

CC Docket No. 95-115

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COMMENTS OF OAN SERVICES, INC.

OAN Services, Inc. ("OAN"), by its undersigned counsel, hereby respectfully submits its comments in response to the Commission's Notice in the above-captioned docket concerning proposed initiatives to increase telephone subscribership. OAN agrees with the Commission that developing narrow, targeted solutions to meet the needs of non-subscribers is essential to further universal telephone service. As OAN discusses below, however, any minor benefit in improved penetration that might arise from prohibiting disconnection of local service for nonpayment of long distance charges will be far outweighed by the harm to long distance carriers that such an initiative will inflict.

I. INTRODUCTION

OAN is a clearinghouse which supplies data processing and billing inquiry service to interexchange carrier ("IXC") clients. In order to perform these services, OAN enters into billing and collection agreements with local exchange carrier ("LECs") either directly or, with respect to smaller independent LECs, through their clearinghouses, Independent NECA Services, Inc.

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("INS") and U.S. Intelco Networks, Inc. ("USIN"). OAN does not determine the rates to be billed for the calls transmitted by its IXC clients, nor does it add any charges to the billing amounts specified by those companies. After receiving call records from IXC clients, OAN consolidates those records, transmits them either to the LEC or LEC clearinghouse (USIN or INS) for billing and collection, and finally, distributes the funds received from LECs to the appropriate IXC. As part of its data processing services, OAN is aware of the collection levels and associated bad debt which is experienced on long distance billings

Through its extensive experience in processing call records on behalf of hundreds of IXCs, OAN is uniquely positioned to comment on the FCC's proposal to prohibit LECs from interrupting or disconnecting local exchange service for failure to pay interstate long distance charges.

II. PROHIBITING LECS FROM DISCONNECTING LOCAL SERVICE FOR NONPAYMENT OF LONG DISTANCE CHARGES IS NOT AN EFFECTIVE REMEDY

From its vantage point as a provider of billing and collection services to IXCs, and in particular its provision of billing inquiry customer service functions, OAN can confirm that the inability to control long distance usage is a major cause of disconnection of telephone service. As the Commission observed in its Notice, controlling usage is more difficult than for most other expenditures because the subscriber does not know how much he or she has spent until the bill arrives at month end, and by then, the damage is already done. OAN therefore firmly agrees that the Commission should pursue initiatives designed to aid telephone subscribers who have difficulty

controlling their long distance usage. Such measures will assist these subscribers to continue to enjoy the benefits of the public telephone network and will lead to increased telephone penetration.

The Commission should not, however, implement a flat prohibition on disconnecting local service. Not only will such a prohibition entirely fail to help subscribers control their long distance usage but it will result in considerable damage to IXC's. Specifically, OAN has found that, in states that do not permit disconnection for nonpayment of long distance charges, *the amount of bad debt has virtually doubled.*^{1/} In many cases, this increase in bad debt is attributable to fraud and is not mirrored in states that do not prohibit LECs from disconnecting basic local exchange service for failure to pay long distance charges.

Accordingly, OAN urges the Commission not to adopt a prohibition on disconnection for nonpayment of long distance calls. For those subscribers who merely have difficulty controlling their usage, such a prohibition will not lead to a change in long distance usage, but rather will enable these consumers to incur even larger debts. And for those subscribers who fraudulently intend to avoid payment of long distance charges, such a prohibition will enable them to enjoy the benefits of local and long distance telephone service while forcing the long distance carrier to absorb the loss.

The Commission, moreover, should not be diverted by evidence suggesting that prohibiting disconnection of local service for nonpayment of toll charges increases telephone subscribership.


^{1/} Specifically, OAN customers billing in the state of Pennsylvania have experienced bad debt rates that far exceed those experienced by the same carriers in states that allow for disconnection for nonpayment of long distance charges. In some instances, OAN customers have seen recent bad debt levels of over 25% in Pennsylvania. These statistics are among the worst OAN has experienced since its inception in 1987.

No "cause and effect" relationship has been shown and, even if a disconnection prohibition were a contributing factor, any increase in telephone subscribership would likely be relatively minor and is far outweighed by the harm to IXCs, who will be forced to absorb nearly twice the amount of bad debt attributable to nonpaying subscribers

III. CONCLUSION

For the foregoing reasons, OAN respectfully urges the Commission to not adopt a rule prohibiting LECs from disconnecting local service for nonpayment of long distance charges.

Respectfully submitted,



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